

Central Intelligence Agency



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### Impact of Hu's Resignation

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**We believe Hu Yaobang's ouster as party chief came as a result of a falling out between Hu and Deng Xiaoping over power and the succession:**

- Deng apparently had gained party approval in November--well before the student unrest--to replace Hu with Zhao Ziyang at next fall's party conference.
- We are not sure why Deng subsequently decided to fire Hu in January. He might have been acting under pressure from conservatives, but we believe it is more likely that Deng feared a power struggle with Hu and decided to take preemptive action before Hu could rally his own, numerous supporters in the party. The student demonstrations, therefore, were a pretext rather than the cause of Hu's downfall.

**We believe Hu had gradually lost Deng's confidence over a period of years . Deng had probably concluded that Hu simply was too divisive a leader to manage the reform coalition he had forged to lead China:**

- Indeed, Hu's personality and leadership style probably contributed as much as anything to his downfall. He consistently failed to consult with other leaders, including Deng. He also made enemies by attempting to monopolize party patronage and pressing the anticorruption campaign too vigorously last year.
- Hu also antagonized powerful conservatives on ideological grounds--encouraging peasants, for example, to "get rich," thereby exacerbating tensions in the countryside over income inequality. He apparently clashed with Deng last fall over the political reform agenda by advocating giving intellectuals greater latitude to voice their views and criticize the party than Deng was prepared to tolerate.
- Hu, whatever the merits of the accusations, also is charged with being pro-Soviet and complicating relations with North Korea and the United States.

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- In December the military old guard also rejected Hu as Deng's successor as chairman of the Central Military Commission--a key blow to any hopes Hu may still have had of retaining real influence once he relinquished the party General Secretary post.

**Deng at minimum has incurred some short-term costs and may have done more serious and lasting damage to the reform program by abruptly removing Hu:**

- Hu's fall has sharpened tensions within the leadership, threatening to undermine prospects for maintaining a consensus on the reform program. Conservative ideologues are already trying to take advantage of the ideological shift, especially the campaign against "bourgeois liberalism," to undermine elements of the reform program they oppose.
- The inevitable succession maneuvering that will now take place could exacerbate tensions between conservatives and reformers and within the reform camp as Hu's supporters scramble to protect themselves.

**The reformers, especially those close to Hu, meanwhile, have been thrown on the defensive, temporarily at least weakening the ability of the reform camp as a whole to promote its agenda. Political reforms in particular are now on hold indefinitely. And even some economic reforms, such as price control, are being put off for political as well as economic reasons:**

- The ideological chill accompanying Hu's fall has left intellectuals angry and fearful, stifling for now the open discussion needed to generate new, innovative ideas essential to the reform program.
- Foreign investment, already down 50 percent last year from 1985, probably will be adversely affected by concerns over the regime's continued commitment to reform.
- Unless the reformers can regain the initiative soon the whole reform program could slowly lose momentum and stagnate.

**The prospects for reform depend in part on how quickly Zhao Ziyang can consolidate his position. We believe the choice of a new premier will be a key indicator of Zhao's strength:**

- The selection of Tian Jiyun, 57, a finance specialist and Zhao protege, would indicate that the reform camp had recouped lost ground and the prospects for continued movement on reform were good.
- Wan Li, 71, the current senior Vice Premier, is also a strong supporter of reforms, but his selection would mean the leadership was split and unable to decide on a younger candidate and had opted for a caretaker premier.

- Li Peng, 59, a Soviet-trained engineer with strong credentials as an administrator, is probably the conservatives' candidate. If chosen, we would expect him to place greater stress on central planning and increased trade with the Soviet Union and less emphasis on introducing market forces.
- Li Ruihuan, 53, the mayor of Tianjin is a darkhorse. Although he has limited national experience, he is well regarded by both Deng and Zhao for his political acumen and active support of reform.

**Although Deng and Zhao remain committed to pragmatic economic policies, including the open door policy, they now face formidable tasks in the wake of Hu's ouster:**

- Zhao will be trying not only to consolidate his position but protect other reformers from conservative sniping.
- Deng and Zhao will also be trying to restore foreign as well as domestic confidence in party stability and the regime's commitment to reform.
- Their ability in the months just ahead to keep the conservatives in check, to get the personnel changes they want, and to protect key reform policies will determine whether they will be able to restore momentum to the reform program.

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